

ILLINOIS COMMERCE COMMISSION

DOCKET No. 13-0301

SUPPLEMENTAL DIRECT TESTIMONY

OF

RYAN K. SCHONHOFF

Submitted on Behalf Of

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

June 17, 2013

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7 **I. INTRODUCTION**

8 **Q. Please state your name and business address.**

9 A. My name is Ryan K. Schonhoff. My business address is 1901 Chouteau Avenue,
10 St. Louis, Missouri 63103.

11 **Q. By whom are you employed and in what capacity?**

12 A. I am employed as a Regulatory Consultant for Ameren Illinois Company d/b/a
13 Ameren Illinois (Ameren Illinois, AIC, or the Company).

14 **Q. Are you the same Ryan K. Schonhoff who previously submitted testimony in**
15 **this proceeding?**

16 A. Yes, I filed direct testimony designated as Ameren Exhibit 7.0, as well as certain
17 related exhibits labeled Ameren Exhibits 7.1 through 7.6.

18 **Q. What is the purpose of your supplemental testimony?**

19 A. The purpose of this testimony is to update my direct testimony and exhibits as a
20 result of the recent passage of P.A. 98-0015. Specifically, I summarize and discuss
21 supplemental Embedded Cost of Service Studies (ECOSS) updated to incorporate a
22 revised net revenue requirement reflecting changes related to the passage of P.A. 98-

0015. I also update the allocation of the reconciliation adjustment, plus interest, among customer classes and summarize the results in Ameren Exhibit 7.4S. The updated, post-P.A. 98-0015 revenue requirement and reconciliation adjustment are presented and discussed in further detail in the supplemental direct testimony of Ameren witness Mr. Ronald Stafford. My supplemental direct testimony also discusses the rate design calculations necessary to produce new delivery service charges that will recover the updated net revenue requirement. Finally, I discuss a correction related to an error in the Lighting Service class within Rate Zone III.

Q. Are you sponsoring any exhibits with your supplemental direct testimony?

A. Yes. Ameren Exhibits 7.1S through 7.6S update the exhibits previously attached to my direct testimony. Ameren Exhibits 7.7, 7.8 and 7.9 present the updated Part 285 E Schedules resulting from the implementation of P.A. 98-0015. These exhibits are further summarized as follows:

- Ameren Exhibit 7.1S: Summary of Electric Rate Zone ECOSs – Rates of Return under Present Revenues
- Ameren Exhibit 7.2S: Summary of Electric Rate Zone ECOSs – Revenue Requirement under Equalized Rates of Return (excluding the true-up reconciliation)
- Ameren Exhibit 7.3S: Summary of Electric Rate Zone ECOSs – Unbundled Cost of Service Results under Equalized Rates of Return (excluding true-up reconciliation)
- Ameren Exhibit 7.4S: Summary of Rate Zone Net Revenue Requirements (including true-up reconciliation)
- Ameren Exhibit 7.5S: Determination of Delivery Service Charges
- Ameren Exhibit 7.6S: Bill Comparisons
- Ameren Exhibit 7.7: Revised E-5 Schedule

- 49 • Ameren Exhibit 7.8: Revised E-6 Schedule
- 50 • Ameren Exhibit 7.9: Revised E-9 Schedule

51 **Q. Do you have any other changes to your direct testimony?**

52 A. No, I do not and I continue to support the previous statements in my direct
53 testimony consistent with this supplemental filing.

54 **II. COST OF SERVICE STUDIES**

55 **Q. Please explain why P.A. 98-0015 requires you to update the ECOSS.**

56 A. In short, P.A. 98-0015 affected the rate year and reconciliation year revenue
57 requirements. Specifically, the changes reflected in P.A. 98-0015 directed use of actual
58 year-end capital structure for calculation of both the rate year and reconciliation year
59 revenue requirement, and use of year-end rate base and weighted average cost of capital
60 (WACC) interest for calculation of the reconciliation year revenue requirement under
61 Section 16-108.5(d) of the Public Utilities Act, 220 ILCS 5/16-108.5(d). These changes
62 are further addressed by Ameren witness Mr. Stafford in his supplemental direct
63 testimony.

64 **Q. Please summarize the results of the updated Electric Rate Zone ECOSSs.**

65 A. The post-P.A. 98-0015 ECOSS results are summarized in three exhibits: Ameren
66 Exhibit 7.1S, Ameren Exhibit 7.2S, and Ameren Exhibit 7.3S. The allocation of the
67 revised net revenue requirement, including reconciliation, is summarized in Ameren
68 Exhibit 7.4S.

69 Ameren Exhibit 7.1S contains, for each Rate Zone and each delivery service
70 class, the rate of return earned under present operating revenues. Ameren Exhibit 7.1S

71 also includes rate base components, operation and maintenance expense, customer
72 service and accounts expense, administrative and general expenses, depreciation and
73 amortization expense, and taxes for each delivery service class within each Rate Zone, as
74 calculated by the ECOSS models.

75 Ameren Exhibit 7.2S contains, for each Rate Zone and each delivery service
76 class, the revenue required to allow AIC to earn an equal rate of return for each delivery
77 service class. Ameren Exhibit 7.2S also shows the corresponding rate base components
78 and expenses under this equalized rate of return for each delivery service class. Ameren
79 Exhibit 7.2S does not include the reconciliation in the revenue requirement.

80 Ameren Exhibit 7.3S contains, for each Rate Zone and each delivery service
81 class, the unbundled revenue requirement components necessary for AIC to earn the
82 equalized rate of return shown in Ameren Exhibit 7.2S for each delivery service class.
83 Unbundled revenue requirement components include, among others, categories such as
84 Distribution, Services, Meters, Customer Service, etc. The sum total of these unbundled
85 revenue requirement components for all Rate Zones equals the total AIC revenue
86 requirement, excluding the 2012 reconciliation amount.

87 Ameren Exhibit 7.4S shows, for each Rate Zone and delivery service class, the
88 revised net revenue requirement necessary to recover AIC's allowed revenue requirement
89 per the performance based formula rate, as presented by Ameren witness Mr. Stafford in
90 Ameren Exhibit 1.3R. The amounts shown in Ameren Exhibit 7.4S allow AIC to earn an
91 equal rate of return for each rate class before the allocation of the 2012 reconciliation
92 amount is made to each class.

Q. You also indicated the need to correct for an error in the Lighting Service class within Rate Zone III. Was this a result of the P.A. 98-0015?

A. No. The error was discovered just recently. Rather than wait until Ameren Illinois filed its rebuttal case to identify the error, the Company decided to include the correction along with revisions resulting from passage of P.A. 98-0015. Incorporating the correction into this filing gives earlier notice to the parties.

Q. Please describe the nature of the error?

A. DS-5 (Lighting Service) is made up of various charges including fixture, customer, meter, energy, EDT, pole, and miscellaneous lighting charges. Rate Zone III is the only rate zone that utilizes pole charges to recover the lighting class's allocated revenue requirement. Pole revenue was inadvertently double counted, thus understating the remaining base rate revenue recoverable from all other delivery service charges.

Q. Please describe the mechanics and magnitude of the error?

A. Unlike most of the charges in this lighting class, the pole charges and miscellaneous lighting charges are not subject to change under the current formulaic rate design methodology (which stems from the process established in Docket Nos. 09-0306(cons)). Therefore, the revenue associated with these charges provides a revenue offset or credit to the net revenue requirement. The remaining fixture and other charges are adjusted pursuant to the current rate design methodology to recover the class revenue requirement. Therefore, this error would have resulted in an under collection of delivery service revenue of approximately \$1 million, all else equal.

Q. Does the correction change the requested revenue requirement?

115 A. No. The correction, in isolation, does not affect the revenue requirement. The
116 correction only affects the magnitude of the delivery service charges established to
117 recover the net revenue requirement.

118 **III. RATE DESIGN**

119 **Q. What is the overall impact to the net revenue requirement and**
120 **corresponding delivery service charges captured in the Company's supplemental**
121 **direct filing?**

122 A. As described in further detail by Ameren witness Mr. Stafford, the overall change
123 in AIC's net revenue requirement captured by this supplemental filing is a \$7.3 million
124 reduction. This is in addition to the original \$29.6 million recommended decrease,
125 which now results in an updated \$36.9 million total recommended decrease in net
126 revenue requirement as compared to the prior year. This additional reduction in net
127 revenue requirement continues to produce delivery service charges that are generally
128 lower than current charges.

129 **Q. Was new delivery service pricing required as a result of the application of**
130 **Rate MAP-P and incorporating passage of P.A. 98-0015, and the street lighting**
131 **correction discussed above?**

132 A. Yes. Ameren Exhibit 7.5S contains updated delivery service prices as set forth by
133 Rate MAP-P, which supplements the "Determination of Delivery Service Charges"
134 section of the tariff.

135 Please note that the "present" revenue and charges shown in Ameren Exhibit 7.5S
136 (pages 1-3, 6-30) are based on prices approved in Docket No. 12-0293 (those currently in
137 effect), and reflected in the Delivery Service Charges Informational Sheet supplemental

to the Rate MAP-P tariff. The change in revenue presented by Ameren witness Mr. Stafford is a comparison between the revenue requirement approved in Docket No. 12-0293 and the proposed revenue requirement in this proceeding.

Q. Does Ameren Exhibit 7.5S contain a summary of prices necessary to achieve the updated net revenue requirement presented by Mr. Stafford?

A. Yes. The summary of prices is contained on pages 31 through 34 of Ameren Exhibit 7.5S. The updated delivery service prices will produce delivery service revenues equal to \$728,204,086, consistent with Ameren witness Mr. Stafford's Ameren Exhibit 1.3R-Schedule 1, Page 2, Line 25. A revenue proof, similar to Part 285 Schedule E-5 (Ameren Exhibit 7.7), is also contained within Ameren Exhibit 7.5S. These calculations are shown on pages 6-13, 14-21, and 22-29 of Ameren Exhibit 7.5S for Rate Zones I, II, and III, respectively.

Q. Have you developed the bill impacts these updated prices will have on various customers, when compared to current charges?

A. Yes. As an example, the typical¹ residential customer using 10,000 kWh per year will experience delivery service rate decreases of -4.7%, -0.7%, and -3.9%, for Rate Zones I, II, and III respectively. A complete set of bill impacts are provided in Ameren Exhibit 7.6S. Pages 1-2 show the impact of price changes on a series of residential customers. Pages 3-5 show the impact on a series of residential and non-residential customers. The impacts reflect changes in delivery service prices from those in effect on the date of this filing as compared to those proposed in this proceeding.

¹ General Use, Non-Space Heating per Ameren Exhibit 7.6S.

159 **Q. Are the ECOSS, revenue allocation, and rate design methodologies used in**
160 **this proceeding and updated to reflect those changes discussed above consistent with**
161 **the methodologies approved by the Commission in Docket Nos. 09-0306 –**
162 **0311(cons.), 12-0001 and 12-0293?**

163 **A. Yes.**

164 **IV. CONCLUSION**

165 **Q. Does this conclude your supplemental direct testimony?**

166 **A. Yes, it does.**